

Hong Kong Business Update

A Biweekly Publication of Commercial Opportunities



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INTRODUCTION:

This free, biweekly, e-mail service is compiled and published by the Commercial Service, U.S. Consulate General Hong Kong. It is designed to provide U.S. companies, government officials and other interested parties with information about the latest business developments and commercial opportunities in Hong Kong. For further information regarding any items in the Hong Kong Business Update, please send an email to the individual specialists listed below.

1. ASIA PACIFIC COSMETICS AND TOILETRIES MARKET OVERVIEW

Introducing Asia Now

Expanding your exports to the rapidly growing markets of the Asia Pacific region ? Trying to choose the best market for your products? The U.S. Department of Commerce has just made it a whole lot easier with a new program, launched in March 2003, called “**Asia Now**.” The key objective of “Asia Now” is to increase U.S. exports to Asia through assisting U.S. companies to approach the Asia market on a regional basis and by encouraging U.S. firms already exporting to one or more Asian markets into additional Asian markets.

To accomplish the “Asia Now” objective, the program has three broad-based strategies: Regional market briefs; ShowTime one-on-one counseling with sector specialists from various Asian markets at one venue; and meetings with buyers from all over Asia at one venue.

“Asia Now” Regional Market Briefs

Below is an example of an “Asia Now” Regional Market Brief. The Asia-Pacific Cosmetics and Toiletries Market Overview “covers 13 countries: Australia, China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand, and Vietnam, representing the world’s most populated and economically-dynamic region which U.S. exporters cannot ignore. This region has a combined population 90 times that of the U.S. and nine of the markets in this report are among the U.S.’s top 20 trading partners.

Market	Population (million)	Current Gdper Capita (US\$m)	C&T Market Size (US\$m)	Imports of C&T from U.S. (US\$m)	Import Duty Rate on C&T (%)	Regulations
						L: Labeling R: Registration CFS: Cert of free sale GMP: Cert of good mfg. practices V/S: VAT/Sales Tax O: Other
Australia	19.7	23,841	770	101	5	L, R, V/S
China	1,275.1	919	5,500	49	15-22	L, R, V
Hong Kong	6.9	24,080	500	92	0	None
India	1,014	515	950	12	57	L
Indonesia	212.1	676	72	3	10	L, R, V, S, CFS
Japan	127.1	37,299	11,981	302	0-5.4	L
Korea (South)	46.7	8,918	3,623	157	8	R, CGM, CFS
Malaysia	22.2	3,891	352	44	0-30	L, R, CFS, CGM
New Zealand	3.8	13,111	80	14	0-5	None
Philippines	75.7	926	225	19	3-5	L, R, V
Singapore	4.0	20,738	351	95	0	S
Taiwan	22.2	12,599	216	44	10	R, CFS, V
Thailand	62.8	1,825	620	22	20-40	R, CFS/CGM
Vietnam	78.1	418	35	5	20-50	R, CFS, V, O

Source: APEC & Industry Sources

C&T: Cosmetics & Toiletries

These 13 countries have a combined cosmetics and toiletries market worth of more than US\$25 billion, with the U.S. supplying only about US\$1 billion or 4% of the market. In several of the largest markets (Japan, China, South Korea and India) in this region, U.S. cosmetics and toiletries constitute less than 5% of the total market size. There are therefore tremendous export opportunities for U.S. companies. Japan is the world's second largest cosmetics and toiletries market after the U.S.! India lifted its restrictions on the import of cosmetics and toiletries in March 1999 and market penetration of international brands is still very low. Hong Kong whose market size is about 10% of China's, imports almost twice as much cosmetics and toiletries from the U.S. And Hong Kong is one of the easiest market in which to sell cosmetics and toiletries as it has no registration or labeling requirements, no import duties or value-added taxes. Not all of the markets are, however, free markets like Hong Kong. China, South Korea, and Thailand have stringent registration requirements but are not inaccessible; it only requires the appointment of an experienced local importer/distributor that is familiar with the regulations.

Market entry strategies vary from market to market but all require the appointment of a local distributor/agent to handle the registrations and execute the best marketing and selling strategy to suit local conditions. Direct selling is, for instance, prevalent and effective in South Korea, Thailand, Taiwan, and Indonesia but is banned in China and shrinking in popularity in Japan and New Zealand.

U.S. cosmetics and toiletry suppliers are known for being innovative and for producing quality and technologically-advanced products at competitive prices in most of the Asia Pacific markets. In this region, U.S. cosmetics and toiletry products, do however, face stiff competition from Japanese products. The innovative packaging and the Asian consumers' perception that Japanese products are more suitable for Asian skins has sometimes given Japanese products the edge over American and European products. It is therefore crucial that U.S. exporters modify product names and packaging to suit local demand. While a product made for "whitening" skin is politically incorrect to use in the U.S., skincare products for lightening or spots on the face are best simply named "whitening products" rather than lightening products or products for treating discoloration. A smaller product size is required in Hong Kong to suit the younger

consumers' tastes, and for ease of carrying in bags but in China, the Philippines, India or Vietnam, a smaller size is required for affordability as the unit costs is lower than for a standard American-size item.

Notwithstanding the differences in market conditions in each of the 14 markets, a U.S. exporter should not just concentrate on the easier markets and ignore the tougher ones. One should adopt a regional strategy that exploits the advantages of easier, more mature, and more accessible markets such as Hong Kong, Australia and Singapore to generate revenue to offset the longer-term investment required for tackling the less easily accessible but lucrative markets of South Korea and China. Each market also has its own sectors that has better selling prospect than others. While most markets cite anti-aging, whitening skincare products and suncare products as the sectors with the best sales prospects, in the Philippines and China, included among the products with the best sales prospects are body scents for under 13-year olds, and baby toiletries, respectively. Mass-market products sell better in India and Vietnam than premium products and men's cosmetics and skincare products are growing in popularity in many of the more mature markets.

For each of the 14 market briefs, please visit http://www.oceac.com/buyusa/asianow/cos_reports2.htm. OR

Australia - Cosmetics and Toiletries

<http://buyusainfo.net/info.cfm?id=117981>

Malaysia - Cosmetics and Toiletries

<http://buyusainfo.net/info.cfm?id=118568>

China - Cosmetics and Toiletries

<http://buyusainfo.net/info.cfm?id=118704>

New Zealand - Cosmetics and Toiletries

<http://buyusainfo.net/info.cfm?id=119013>

Hong Kong - Cosmetics and Toiletries

<http://buyusainfo.net/info.cfm?id=118631>

Philippines - Cosmetics and Toiletries

<http://buyusainfo.net/info.cfm?id=118569>

India - Cosmetics and Toiletries

<http://buyusainfo.net/info.cfm?id=119268>

Singapore - Cosmetics and Toiletries

<http://buyusainfo.net/info.cfm?id=118492>

Indonesia - Cosmetics and Toiletries

<http://buyusainfo.net/info.cfm?id=118327>

Taiwan - Cosmetics and Toiletries

<http://buyusainfo.net/info.cfm?id=118628>

Japan - Cosmetics and Toiletries

<http://buyusainfo.net/info.cfm?id=118251>

Thailand - Cosmetics and Toiletries
<http://buyusainfo.net/info.cfm?id=118494>

Korea - Cosmetics and Toiletries
<http://buyusainfo.net/info.cfm?id=116248>

Vietnam - Cosmetics and Toiletries
<http://buyusainfo.net/info.cfm?id=118702>

You may also contact Ms Swee-keng Cheong, Commercial Specialist, U.S. Consulate General, Hong Kong at email: swee-keng.Cheong@mail.doc.gov, Tel: (852) 2521-5233, Fax: (852) 2845-9800.

2. IT (LEGAL) IN HK VERSUS PEARL RIVER DELTA (GUANGDONG) - INTEGRATION OR FALLING BEHIND? OCTOBER 10, 2003

Angus Forsyth and Yvonne Chia, Partners of Stevenson, Wong & Co., will be speaking at a roundtable luncheon organized by Hong Kong General Chamber of Commerce on 10 October 2003.

Angus and Yvonne will compare Hong Kong's IT legislation (Electronic Transactions Ordinance) as proposed to be amended by the Government's latest Electronic Transactions (Amendment) Bill 2003 and Guangdong's new IT legislation (Guangdong Province, Electronic Transactions Regulations). They will also highlight how the IT legislation may affect your business.

Date: Friday, 10 October 2003

Time: 12:30 - 2:00pm

Venue: Chamber Conference Room, The Hong Kong General Chamber of Commerce, 22/F, United Center, 95 Queensway, Hong Kong

Enquiries: Ms. Shirley Tong of HKGCC at 2823-1208

3. DATES FOR UPCOMING TRADE SHOWS IN HONG KONG

- International Travel Expo 2003, September 25-28, 2003 at the Hong Kong Convention & Exhibition Center. For more information, please contact Rose Mak at rose.mak@mail.doc.gov.
- Filmart Hong Kong, September 24-26, 2003 at Hong Kong Convention & Exhibition Center. This is a Department of Commerce Certified Trade Fair. For more information, please contact Alice Lai at alice.lai@mail.doc.gov.
- International Hardware & Home Improvement Fair 2003, October 26-29, 2003 at Hong Kong Convention & Exhibition Center. This is a Department of Commerce Certified Trade Fair. For more information, please contact Elanna Tam at elanna.tam@mail.doc.gov.
- The Built Environment – Innovation and Integrated Building Performance Conference and Exhibition, Nov 18-19, 2003 at Kowloon Shangri-La Hotel. . For more information, please contact Elanna Tam at elanna.tam@mail.doc.gov.

- Cosmoprof Asia, November 12-14 at the Hong Kong Convention & Exhibition Center. This is a Department of Commerce Certified Trade Fair and an Asia Now “ShowTime Asia” featured event. For more information, please contact Swee-keng Cheong at swee-keng.cheong@mail.doc.gov.
- Natural Products Expo Asia 2003 postponed to December 3-5, 2003 at the Hong Kong Convention & Exhibition Center. This is a Department of Commerce Certified Trade Fair. For more information, please contact Rose Mak at rose.mak@mail.doc.gov.
- Hong Kong International Franchise & Business Opportunities Expo, December 5-7 at the Hong Kong Convention & Exhibition Center. This is a Department of Commerce Certified Trade Fair. For more information, please visit www.expo.com.hk or contact Swee-keng Cheong at swee-keng.cheong@mail.doc.gov.
- HOFEX, February 10-13, 2004 at the Hong Kong Convention & Exhibition Center. For more information, please contact Olevia Yim at olevia.yim@mail.doc.gov.

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